



INTERNATIONAL RESCUE COMMITTEE, INC.

Financial Statements

September 30, 2010

(With Independent Auditors' Report Thereon)



KPMG LLP
345 Park Avenue
New York, NY 10154

Independent Auditors' Report

The Board of Directors
International Rescue Committee, Inc.:

We have audited the accompanying balance sheet of International Rescue Committee, Inc. (IRC) as of September 30, 2010, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of IRC's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from IRC's 2009 financial statements, and in our report dated February 11, 2010, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of IRC's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of International Rescue Committee, Inc. as of September 30, 2010, and the changes in its net assets and its cash flows for the year then ended, in conformity with U.S. generally accepted accounting principles.

KPMG LLP

February 7, 2011

INTERNATIONAL RESCUE COMMITTEE, INC.

Balance Sheet

September 30, 2010

(with comparative financial information as of September 30, 2009)

(Amounts in thousands)

Assets	2010	2009
Cash and cash equivalents (notes 7 and 13)	\$ 19,382	18,723
Short-term investments	26,588	18,909
Grants and contracts receivable (notes 7, 8, and 14)	23,288	22,539
Inventory (note 13)	6,746	4,661
Contributions receivable, net (notes 9 and 13)	5,253	10,606
Loan program receivables	491	382
Other assets, net	4,090	4,078
Investments (notes 2, 10, and 13):		
Endowment and emergency funds	80,177	73,295
Split-interest agreements	9,689	9,540
	89,866	82,835
Split-interest agreements – contributions receivable (note 10)	407	395
Property and equipment, net (note 4)	6,581	7,365
Total assets	\$ 182,692	170,493
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 12,215	9,475
Accrued vacation and severance	6,256	5,804
Program advances (notes 7 and 8)	24,881	26,974
Deferred revenue and other liabilities	1,481	1,200
Loan program liability	764	542
Annuity liabilities related to split-interest agreements (note 10)	5,975	6,093
Deferred rent obligation (note 5)	6,560	6,341
Total liabilities	58,132	56,429
Commitments and contingencies (notes 5, 6, 8, and 16)		
Net assets:		
Unrestricted (notes 10 and 13):		
Board-designated endowment	37,998	32,169
Undesignated	4,910	4,749
Renewals and replacement fund	3,668	1,546
Designated for special-purpose fund	1,979	1,517
Total unrestricted	48,555	39,981
Temporarily restricted (notes 9, 10, 11, and 13):		
Donor contributions	26,872	27,329
Reinvested return on emergency funds	232	13
Split-interest agreements	618	595
Total temporarily restricted	27,722	27,937
Permanently restricted (notes 9, 12, and 13):		
Donor endowment and emergency funds	45,058	40,494
Contributions receivable	3,225	5,652
Total permanently restricted	48,283	46,146
Total net assets	124,560	114,064
Total liabilities and net assets	\$ 182,692	170,493

See accompanying notes to financial statements.

Statement of Activities
Year ended September 30, 2010
(with summarized financial information for the year ended September 30, 2009)
(Amounts in thousands)

	2010			Total	2009 Total
	Unrestricted	Temporarily restricted	Permanently restricted		
Operating activities:					
Operating revenues:					
Contributions (notes 11 and 14)	\$ 23,327	21,145	—	44,472	43,072
Contributed goods and services	4,842	—	—	4,842	6,396
Grants and contracts (notes 7, 11, and 14)	260,813	—	—	260,813	231,135
Investment return used for operations (note 3)	2,452	786	—	3,238	3,487
Loan administration fees and other income	2,730	—	—	2,730	2,436
Release from restrictions (note 11)	22,333	(22,333)	—	—	—
Total operating revenues	<u>316,497</u>	<u>(402)</u>	<u>—</u>	<u>316,095</u>	<u>286,526</u>
Operating expenses:					
Program services:					
International relief and assistance programs	205,018	—	—	205,018	189,166
U.S. programs	59,483	—	—	59,483	53,059
Emergency preparedness, technical units, and other	17,538	—	—	17,538	15,008
Women's Refugee Commission	4,257	—	—	4,257	4,927
Total program services	<u>286,296</u>	<u>—</u>	<u>—</u>	<u>286,296</u>	<u>262,160</u>
Supporting services:					
Management and general	16,069	—	—	16,069	15,301
Fund-raising	10,553	—	—	10,553	10,375
Total supporting services	<u>26,622</u>	<u>—</u>	<u>—</u>	<u>26,622</u>	<u>25,676</u>
Total operating expenses	<u>312,918</u>	<u>—</u>	<u>—</u>	<u>312,918</u>	<u>287,836</u>
Excess (deficiency) of operating revenues over operating expenses	<u>3,579</u>	<u>(402)</u>	<u>—</u>	<u>3,177</u>	<u>(1,310)</u>
Nonoperating activities:					
Bequests and contributions (note 13)	4,143	—	2,062	6,205	1,775
Split-interest agreements	(495)	(5)	—	(500)	(303)
Investment return, net (note 3)	3,538	(25)	—	3,513	(2,073)
Expenses related to:					
Split-interest agreements and endowment – fund-raising	(924)	—	—	(924)	(1,169)
Designated special purpose fund	(237)	—	—	(237)	(56)
Renewals and replacement fund	(738)	—	—	(738)	(353)
Other reclassification of net assets	(75)	—	75	—	—
Net asset reclassification for adoption of ASC 958-205 (note 13)	(217)	217	—	—	—
Total nonoperating activities	<u>4,995</u>	<u>187</u>	<u>2,137</u>	<u>7,319</u>	<u>(2,179)</u>
Increase (decrease) in net assets	<u>8,574</u>	<u>(215)</u>	<u>2,137</u>	<u>10,496</u>	<u>(3,489)</u>
Net assets at beginning of year	39,981	27,937	46,146	114,064	117,553
Net assets at end of year	<u>\$ 48,555</u>	<u>27,722</u>	<u>48,283</u>	<u>124,560</u>	<u>114,064</u>

See accompanying notes to financial statements.

INTERNATIONAL RESCUE COMMITTEE, INC.

Statement of Functional Expenses

Year ended September 30, 2010

(with summarized financial information for the year ended September 30, 2009)

(Amounts in thousands)

	Program services								Supporting services				Total	
	International relief and assistance				Total	U.S. programs	Emergency preparedness, technical units, and other	Women's Refugee Commission	Total program services	Management and general	Fund-raising	Total supporting services	2010	2009
	Africa	Asia	Middle East	Europe and other countries										
Personnel	\$ 48,829	14,769	3,893	4,971	72,462	27,014	9,223	2,648	111,347	11,095	4,194	15,289	126,636	121,673
Professional services	2,077	1,472	149	374	4,072	418	1,538	236	6,264	1,092	1,138	2,230	8,494	6,686
Travel, conferences, and events	5,057	1,120	527	551	7,255	1,794	1,636	447	11,132	426	338	764	11,896	11,362
Occupancy	4,635	1,164	290	223	6,312	3,335	1,392	502	11,541	2,298	931	3,229	14,770	13,159
Communications	2,070	404	153	119	2,746	718	472	150	4,086	605	4,443	5,048	9,134	8,803
Vehicles, equipment, and supplies	11,018	1,561	376	1,235	14,190	1,876	278	48	16,392	685	136	821	17,213	17,560
Subgrants	12,783	21,539	1,006	195	35,523	546	1,018	130	37,217	250	—	250	37,467	29,229
Program materials and direct assistance	35,046	14,011	3,406	5,218	57,681	22,101	28	—	79,810	—	—	—	79,810	70,488
Contributed goods and services	2,860	329	—	288	3,477	1,365	—	—	4,842	—	—	—	4,842	6,371
Other	895	314	59	32	1,300	316	1,998	96	3,710	547	298	845	4,555	4,083
Total expenses	125,270	56,683	9,859	13,206	205,018	59,483	17,583	4,257	286,341	16,998	11,478	28,476	314,817	289,414
Less nonoperating expenses, primarily personnel related to split-interest agreements and endowment, and brand promotion	—	—	—	—	—	—	(45)	—	(45)	(929)	(925)	(1,854)	(1,899)	(1,578)
Total operating expenses reported by function in the statement of activities	\$ 125,270	56,683	9,859	13,206	205,018	59,483	17,538	4,257	286,296	16,069	10,553	26,622	312,918	287,836
2009 total	\$ 128,910	44,482	6,408	9,366	189,166	53,059	15,008	4,927	262,160	15,301	10,375	25,676		287,836

See accompanying notes to financial statements.

INTERNATIONAL RESCUE COMMITTEE, INC.

Statement of Cash Flows

Year ended September 30, 2010

(With comparative financial information for the year ended September 30, 2009)

(Amounts in thousands)

	2010	2009
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 10,496	(3,489)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,281	1,305
Net realized and unrealized losses on investments	(5,621)	219
Loss on disposal of property and equipment	—	2
Change in value of split-interest agreements	640	618
Permanently restricted contributions	(2,137)	(1,376)
Changes in operating assets and liabilities:		
Grants and contracts receivable	(749)	114
Inventory	(2,085)	(226)
Contributions receivable	2,993	2,785
Loan program receivables	(109)	(77)
Other assets	(12)	1,187
Accounts payable and accrued expenses	2,740	1,922
Accrued vacation and severance	452	901
Program advances	(2,093)	6,010
Deferred revenue and other liabilities	281	(1,439)
Loan program liability	222	82
Deferred rent obligation	219	371
Net cash provided by operating activities	6,518	8,909
Cash flows from investing activities:		
Purchases of property and equipment	(502)	(552)
Proceeds from disposal of property and equipment	5	8
Proceeds from sale or redemption of investments	52,869	28,591
Purchases of investments	(54,279)	(32,539)
Purchases of short-term investments, net	(7,679)	(1,294)
Net cash used in investing activities	(9,586)	(5,786)
Cash flows from financing activities:		
Permanently restricted contributions	2,137	1,376
Decrease in permanently restricted contributions receivable	2,360	3,208
Proceeds from contributions under split-interest agreements	182	305
Payments to beneficiaries under split-interest agreements	(952)	(930)
Payments on capital lease	—	(16)
Net cash provided by financing activities	3,727	3,943
Net increase in cash and cash equivalents	659	7,066
Cash and cash equivalents at beginning of year	18,723	11,657
Cash and cash equivalents at end of year	\$ 19,382	18,723

See accompanying notes to financial statements.

INTERNATIONAL RESCUE COMMITTEE, INC.

Notes to Financial Statements

September 30, 2010

(with comparative financial information as of and for the year ended September 30, 2009)

(Amounts in thousands)

(1) Organization and Summary of Significant Accounting Policies

(a) Organization

International Rescue Committee, Inc. (IRC) is a private, not-for-profit organization that serves refugees and communities victimized by oppression or violent conflict worldwide. IRC is committed to freedom, human dignity, and self-reliance. This commitment is expressed in emergency relief, protection of human rights, postconflict development, resettlement assistance, and advocacy.

(b) Basis of Accounting

The accompanying financial statements have been prepared using the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. Net assets are classified based on the existence or absence of donor-imposed restrictions. Accordingly, IRC's net assets and changes therein are classified and reported as follows:

- Unrestricted net assets – net assets that are not subject to donor-imposed restrictions or the donor-imposed restrictions have expired. As reflected in the accompanying financial statements and discussed below, IRC's board of directors has designated a portion of the unrestricted net assets for specific purposes.
- Temporarily restricted net assets – net assets that are subject to donor-imposed restrictions that permit IRC to use or expend the assets as specified. The restrictions are satisfied either by the passage of time or by actions of IRC.
- Permanently restricted net assets – net assets that are subject to donor-imposed restrictions that they be maintained permanently by IRC and only the income be used as specified by the donor. Certain emergency funds allow temporary use of principal.

Revenues are reported as increases in unrestricted net assets unless their use is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments are reported as increases or decreases in unrestricted net assets unless their use is restricted by donors or by law.

When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported as release from restrictions in the statement of activities.

(c) Recent Accounting Standards

During 2010, the IRC adopted Accounting Standards Update (ASU) No. 2009-06, *Implementation Guidance on Accounting for Uncertainty in Income Taxes and Disclosure Amendments for Nonpublic Entities*, in conjunction with its adoption of FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* (now included in Accounting Standard Codification (ASC) Subtopic 740-10, *Income Taxes – Overall*). FASB Interpretation No. 48 addresses the accounting for uncertainties in an organization's financial statements and prescribes a threshold of more-likely

INTERNATIONAL RESCUE COMMITTEE, INC.

Notes to Financial Statements

September 30, 2010

(with comparative financial information as of and for the year ended September 30, 2009)

(Amounts in thousands)

than-not for recognition and derecognition of tax positions taken or expected to be taken in a tax return. FASB Interpretation No. 48 also provides related guidance on measurement, classification, interest, and penalties, and disclosures. The adoption of FASB Interpretation No. 48 and ASU No. 2009-06 did not have a significant impact on the IRC's financial statements.

(d) Fair Value Measurements

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that a reporting entity has the ability to access at the measurement date. Level 1 assets and liabilities include debt and equity securities that are traded in an active exchange market.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 assets and liabilities include debt securities with quoted market prices that are traded less frequently than exchange-traded instruments and alternative investments that are redeemable at or near the balance sheet date.
- Level 3 inputs are unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

Most investments classified as Levels 2 and 3 consist of shares or units in investment funds as opposed to direct interests in the funds' underlying holdings, which may be marketable. Because the net asset value reported by each fund is used as a practical expedient to estimate fair value of the IRC's interest therein, its classification in Level 2 or 3 is based on the IRC's ability to redeem its interest at or near September 30. If the interest can be redeemed in the near term, the investment is classified as Level 2. The classification of investments in the fair value hierarchy is not necessarily an indication of the risks, liquidity, or degree of difficulty in estimating the fair value of each investment's underlying assets and liabilities.

The level in the fair value hierarchy within which a fair measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement.

The classification of investments in the fair value hierarchy is not necessarily an indication of risks, liquidity, or degree of difficulty in estimating the fair value of each investment's underlying assets and liabilities.

INTERNATIONAL RESCUE COMMITTEE, INC.

Notes to Financial Statements

September 30, 2010

(with comparative financial information as of and for the year ended September 30, 2009)

(Amounts in thousands)

(e) Grants and Cooperative Agreements

Grants and cooperative agreements with federal, foreign, and local governments and other agencies are deemed to be exchange transactions, and accordingly, revenue is recognized when funds are utilized by IRC to carry out the activity stipulated in the grant or cooperative agreement. Accordingly, amounts received but not recognized as revenue are classified in the balance sheet as program advances, and amounts expended but not yet received are classified as grants and contracts receivable.

(f) Contributions

Contributions, including unconditional promises to give (pledges), are reported as revenues in the period received or pledged. Contributions are considered to be unrestricted unless they are received with donor stipulations that limit their use either through purpose or time restrictions. Contributions to be received after one year are discounted using a risk-adjusted rate. These rates ranged from 0% to 6% as of September 30, 2010. An allowance for uncollectible contributions receivable is provided based upon management's judgment, including such factors as prior collection history, type of contribution, and nature of the fund-raising activity. Bequest income is recorded when the will has passed through the probate court and amounts can be reasonably determined.

(g) Endowment and Emergency Funds

Board-Designated Endowment

The board of directors has established a fund to provide for the long-term financial stability of IRC and to enhance its ability to respond to extraordinary emergency needs. The purpose of this fund is to provide a mechanism for the board of directors to set aside and invest certain funds. Accordingly, the board of directors has designated the Leo Cherne Emergency Fund, certain unrestricted bequests, extraordinary gifts (as determined by the board of directors), and portions of unrestricted surpluses in operating funds for this purpose.

Donor Endowment and Emergency Funds

In further support of the long-term financial stability of the organization, IRC receives donations for which the principal must be permanently maintained. Included in this category are endowment donations and emergency funds that allow IRC to use principal on a temporary basis for emergency response situations and to preposition itself with commonly used emergency response inventory. Principal used by IRC must be subsequently returned to the fund.

(h) Contributed Goods and Services

Contributed goods are recognized as revenue at their estimated fair value at the date of receipt and expensed when used.

INTERNATIONAL RESCUE COMMITTEE, INC.

Notes to Financial Statements

September 30, 2010

(with comparative financial information as of and for the year ended September 30, 2009)

(Amounts in thousands)

Contributed services are recognized as revenue if the services create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and typically need to be purchased if not provided by donation. Contributed services are recorded at the fair value of the services provided. Contributed services and promises to contribute services that do not meet the above criteria are not recognized as revenues and are not reported in the financial statements.

(i) *Split-Interest Agreements*

IRC is the beneficiary of a number of split-interest agreements with donors. IRC may control donated assets and may share with the donor or the donor's designee income generated from those assets until such time as stated in the agreement, at which time the remaining assets are generally for IRC's unrestricted use.

IRC records the assets of the agreements (at fair value) if the assets are controlled and invested by IRC. IRC records nonoperating contribution revenue at the date the agreement is established after recording a liability for the present value of the estimated future payments expected to be made to the beneficiaries. Adjustments to the annuity liabilities to reflect the amortization of the discount and revaluation of expected future payments to beneficiaries based on changes in actuarial assumptions are made annually and recognized as a nonoperating activity in the line item split-interest agreements.

In other situations where assets are controlled and invested by an independent third party, IRC records a receivable and nonoperating contribution revenue based on the present value of the estimated future distributions expected to be received by IRC over the expected term of the agreement.

The discount rate used in valuing split-interest agreement liabilities as of September 30, 2010 and 2009 ranged from 0% to 11%.

(j) *Functional Expense Allocations*

The majority of expenses can generally be directly identified with the program or supporting service to which they relate and are charged accordingly. Other expenses by function are allocated to components of these services based on allocation factors determined by management.

(k) *Operations*

IRC excludes from operating activities bequests, contributions and expenses related to split-interest agreements and the Freedom Fund (see note 13), changes in value of split-interest agreements, investment return on split-interest agreements, investment return of the Freedom Fund in excess of or less than the spending rate (see note 3), nonrecurring expenses funded by the designated special-purpose fund and the renewals and replacement fund, and other nonrecurring items. All other revenue and expenses are included in operating activities.

INTERNATIONAL RESCUE COMMITTEE, INC.

Notes to Financial Statements

September 30, 2010

(with comparative financial information as of and for the year ended September 30, 2009)

(Amounts in thousands)

(l) Cash and Cash Equivalents

For the purposes of the statement of cash flows, IRC considers all highly liquid debt instruments purchased with original maturities of three months or less, other than those held as part of the investment portfolio, to be cash equivalents.

(m) Short-Term Investments

Short-term investments consist of money market funds with original maturities greater than three months.

(n) Investments

Investments are stated at fair value based on quoted market prices except for the fair values of limited partnerships and certain mutual funds, which are stated at net asset value as provided by the general partners and fund managers, respectively, based upon the underlying net assets of the funds. These estimated values are reviewed and evaluated by management for reasonableness. Investments in limited partnerships are generally less liquid than other investments and the reported fair value may differ significantly from the values that would have been reported had a ready market for these securities existed. Included in the investments of the limited partnerships are certain types of financial instruments, including, among others, futures and forward contracts, options, and securities sold not yet purchased, intended to hedge against changes in the market value of investments. These financial instruments, which involve varying degrees of off-balance-sheet risk, may result in loss due to changes in the market.

(o) Inventory

Inventory consists of program materials and emergency response supplies not used as of September 30. Inventory is recorded at cost upon purchase and deducted from inventory and expensed when used.

(p) Property and Equipment

Property and equipment are recorded at cost, if purchased, or at fair value at the date of the gift, if donated, less accumulated depreciation and amortization. Depreciation is provided on the straight-line method over the estimated useful lives of the assets, generally three to seven years. Amortization of leasehold improvements is provided on the straight-line method over the lesser of their useful lives or the terms of the related lease. Property and equipment acquired with funds received from grants in which the grantor retains a reversionary interest in the assets at the end of the grant period are expensed in the year of acquisition.

INTERNATIONAL RESCUE COMMITTEE, INC.

Notes to Financial Statements

September 30, 2010

(with comparative financial information as of and for the year ended September 30, 2009)

(Amounts in thousands)

(q) Foreign Currency Translation

IRC applies the current rate method of translation when including the accounts of its foreign offices. All foreign denominated assets and liabilities are translated into U.S. dollars using the current exchange rates in effect at the balance sheet date. Revenue and expenses are translated at the average rate in effect during the year. The resulting translation loss for 2010 and 2009 of \$574 and \$688, respectively, is reflected in the statement of activities.

(r) Tax Status

The Internal Revenue Service has ruled that, pursuant to Section 501(c)(3) of the Internal Revenue Code (the Code), IRC is exempt from federal income taxes and is a publicly supported organization, as defined in Section 509(a)(1) of the Code. As a not-for-profit organization, IRC is also exempt from state and local income taxes.

(s) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. Significant estimates and assumptions include allowances for uncollectible receivables, the present value of multi-year pledges, the valuation of alternative investments, and the allocation of expenses to functional classifications.

(t) Comparative Financial Information

The statements of activities and functional expenses are presented with prior year summarized comparative totals. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with IRC's 2009 financial statements, from which the comparative totals were derived.

(u) Reclassifications

Certain prior year amounts have been reclassified to conform with the current year presentation.

INTERNATIONAL RESCUE COMMITTEE, INC.

Notes to Financial Statements

September 30, 2010

(with comparative financial information as of and for the year ended September 30, 2009)

(Amounts in thousands)

(2) Investments

Fair Value Hierarchy

The following tables present the IRC's fair value hierarchy for investments, the only financial instruments measured at fair value as of September 30, 2010 and 2009:

	2010			Total fair value
	Level 1	Level 2	Level 3	
Equities:				
Direct ownership – United States	\$ 15,515	—	—	15,515
Mutual funds:				
United States	523	—	—	523
International	11,394	—	—	11,394
Commingled funds:				
United States	—	3,632	—	3,632
International	—	1,789	—	1,789
Total	<u>27,432</u>	<u>5,421</u>	<u>—</u>	<u>32,853</u>
Fixed income:				
Direct ownership:				
U.S. government/agency	4,324	—	—	4,324
U.S. corporate and other	1,944	—	—	1,944
International	3,711	—	—	3,711
Total	<u>9,979</u>	<u>—</u>	<u>—</u>	<u>9,979</u>
Mutual funds:				
U.S. government/agency	10,289	—	—	10,289
U.S. corporate and other	39	—	—	39
Total	<u>10,328</u>	<u>—</u>	<u>—</u>	<u>10,328</u>
Commingled fund:				
U.S. corporate and other	—	925	—	925
Total	<u>20,307</u>	<u>925</u>	<u>—</u>	<u>21,232</u>
Closed-end macro fund	<u>3,963</u>	<u>—</u>	<u>—</u>	<u>3,963</u>
Hedge funds:				
Distressed debt	—	6,103	3,715	9,818
Fund of funds	—	4,535	—	4,535
Long short equity	—	8,745	—	8,745
Public real estate	—	7,690	—	7,690
Total	<u>—</u>	<u>27,073</u>	<u>3,715</u>	<u>30,788</u>
Cash and cash equivalents	<u>1,030</u>	<u>—</u>	<u>—</u>	<u>1,030</u>
Total	<u>\$ 52,732</u>	<u>33,419</u>	<u>3,715</u>	<u>89,866</u>

INTERNATIONAL RESCUE COMMITTEE, INC.

Notes to Financial Statements

September 30, 2010

(with comparative financial information as of and for the year ended September 30, 2009)

(Amounts in thousands)

	2009			
	Level 1	Level 2	Level 3	Total fair value
Equities:				
Direct ownership – United States	\$ 17,961	—	—	17,961
Mutual funds:				
United States	622	—	—	622
International	4,220	—	—	4,220
Commingled funds:				
United States	—	3,520	—	3,520
International	—	1,736	—	1,736
Total	22,803	5,256	—	28,059
Fixed income:				
Direct ownership:				
U.S. government/agency	14,287	—	—	14,287
U.S. corporate and other	695	—	—	695
Total	14,982	—	—	14,982
Mutual funds:				
U.S. government/agency	8,449	—	—	8,449
U.S. corporate and other	32	—	—	32
Total	8,481	—	—	8,481
Commingled fund:				
U.S. corporate and other	—	846	—	846
Total fixed income	23,463	846	—	24,309
Hedge funds:				
Distressed debt	—	—	7,186	7,186
Fund of funds	—	4,440	—	4,440
Long short equity	—	7,769	3,011	10,780
Public real estate	—	6,686	—	6,686
Total	—	18,895	10,197	29,092
Cash and cash equivalent	1,375	—	—	1,375
Total	\$ 47,641	24,997	10,197	82,835

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Commingled funds of \$6,346 and \$6,101 at September 30, 2010 and 2009, respectively, of funds, which do not trade publicly and, therefore, do not have published market prices. The underlying investments, however, are principally marketable securities.

Investments at September 30, 2010 and 2009 include \$80,177 and \$73,295, respectively, relating to IRC's Freedom Fund (see note 13) and \$9,689 and \$9,540, respectively, relating to split-interest agreements (see note 10).

IRC has an Investment Committee comprised of members of the board of directors and overseers, which is charged with the responsibility of providing fiduciary oversight over IRC's investments. The Investment Committee meets with executive management and external advisors on a regular basis to review investment performance, asset allocation, and investment manager performance.

The following table presents a reconciliation for all Level 3 assets measured at fair value at September 30:

	<u>2010</u>	<u>2009</u>
Beginning balance	\$ 10,197	12,323
Net appreciation	732	526
Purchases and settlements, net	2,492	7,500
Transfers out	<u>(9,706)</u>	<u>(10,152)</u>
Ending balance	<u>\$ 3,715</u>	<u>10,197</u>

Portfolio Liquidity

IRC reviews the liquidity of its investments to ensure that it is able to meet its cash needs for grants, operating expenses, and capital calls. As of September 30, 2010, IRC had investments of \$52,731, which could be sold on a daily basis under normal market conditions. This included \$30,487 in direct ownership investments held in separate accounts with the IRC's custodial trustee and, \$22,244, in mutual fund investments.

IRC's investments in commingled bond and stock funds and hedge funds totaled \$37,098 as of September 30, 2010. The liquidity of these investments is determined by the redemption period for each fund, which differs among investments and is detailed further in this note.

Strategies of Commingled, Hedge, Inflation Hedge, and Private Equity Funds

The following table lists the investment strategies, redemption terms, and assets for commingled and hedge funds measured at fair value as of September 30, 2010:

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	<u>Total fair value</u>	<u>Redemption dates per year</u>	<u>Redemption notice period</u>
Commingled bond fund	\$ 916 (a)	daily	N/A
Commingled stock funds:			
United States	3,616	daily	N/A
International	<u>1,778</u>	daily	N/A
Total commingled stock funds	<u>5,394 (a)</u>		
Hedge funds:			
Distressed debt	9,818	quarterly; lockup	60 – 65 days
Fund of funds	4,535	semiannually	75 days
Long-short equity	8,745	annually; quarterly	45 days
Public real estate	<u>7,690</u>	semiannually	90 days
Total hedge funds	<u>30,788 (b)</u>		
Total	<u>\$ 37,098</u>		

The following provides details for the investment strategies listed above:

(a) Commingled Bond and Stock Funds

These are common trust funds that are not publicly traded. These funds are redeemable daily, with payouts to IRC at each month-end.

(b) Multistrategy Hedge Funds

This consists of \$30,788 invested in seven hedge funds that are fully redeemable with the exception of \$3,715, which is subject to a lockup restriction that expires on October 31, 2011. These hedge funds invest in equity, fixed income, REITs, and other hedge funds and vary their investment strategies in response to changing market opportunities. As of September 30, 2010, the IRC's combined investments in these funds included 32% credit strategies, 28% long-short equity strategies, 25% REITs, and 15% fund of funds.

At September 30, 2010 and 2009, the IRC had no unfunded commitments to limited partnerships.

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(3) Investment Return

IRC maintains a spending rate policy on the Freedom Fund invested assets. The spending rate policy was designed to preserve the value of the investment portfolio in real terms and to reduce the impact of market fluctuations on operations. The spending rate used for operations is set at 4.5% of the previous two-year rolling average fair value. In addition to the return on the Freedom Fund invested assets, investment return used for operations includes investment income on working capital cash and short-term investments.

Investment return for the years ended September 30, 2010 and 2009 consisted of the following:

	<u>2010</u>	<u>2009</u>
Interest and dividend income	\$ 1,130	1,633
Net realized losses	(2,390)	(4,227)
Net unrealized gains	<u>8,011</u>	<u>4,008</u>
Total return on investments	6,751	1,414
Less investment return used for operations	<u>(3,238)</u>	<u>(3,487)</u>
Excess (deficiency) of investment return used for operations over actual return	\$ <u>3,513</u>	<u>(2,073)</u>

Return on investment is shown net of investment manager fees of \$440 and \$418 at September 30, 2010 and 2009, respectively.

(4) Property and Equipment

Property and equipment consisted of the following as of September 30, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Furniture and equipment	\$ 2,535	2,820
Cars, vans, and mobile units	2,759	2,894
Leasehold improvements	8,679	8,483
Construction in progress	—	16
Donated art portfolios	<u>96</u>	<u>96</u>
	14,069	14,309
Less accumulated depreciation and amortization	<u>(7,488)</u>	<u>(6,944)</u>
	\$ <u>6,581</u>	<u>7,365</u>

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(5) Lease Agreements

IRC leases several office facilities and equipment under operating leases expiring at various dates through 2021. Rental expense is recognized on the straight-line basis, rather than in accordance with base payment schedules, for purposes of recognizing a constant annual rental expense. The difference between straight-lining the rental charge and actual payments is reported as deferred rent in the balance sheet. The deferred rent obligation is expected to grow as payments are less than expenses until fiscal year 2012. Future rental payments are subject to escalation for IRC's proportionate share of increases in certain building operating expenses. Lease agreements for facilities in overseas locations are generally for periods of one year or less.

The following is a schedule, by fiscal year, of the minimum future rentals on leases with expiration dates greater than one year as of September 30, 2010:

Year ending September 30:		
2011	\$	4,598
2012		4,342
2013		4,991
2014		4,969
2015		4,860
Thereafter		<u>25,778</u>
Total minimum future payments	\$	<u>49,538</u>

Rent expense for the years ended September 30, 2010 and 2009 was approximately \$9,596 and \$8,879, respectively.

(6) Defined Contribution Retirement Plan

IRC's 403(b) Retirement Savings Plan covers all personnel. IRC makes contributions based on a prescribed matching schedule of employee contributions. Basic employee contributions up to 6% of compensation are eligible for a matching contribution by IRC. Matching contributions are deposited in the plan each payroll period based on the following formula:

- 100% of the basic employee contribution up to the first 3% of compensation plus
- 50% of the basic employee contribution up to the next 3% of compensation

IRC provides base contributions, in addition to the existing matching contributions program, which allows for immediate eligibility with a three-year vesting requirement for the base contributions.

Pension expense relating to the defined contribution plan for 2010 and 2009 was \$3,406 and \$3,235, respectively.

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(7) Significant Funders and Concentrations of Credit Risk

Grants and contracts revenues were from the following for the years ended September 30, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
U.S. federal and local government agencies	\$ 140,085	119,023
European agencies	64,225	59,949
United Nations agencies	33,860	34,600
Other agencies	22,643	17,563
	<u>\$ 260,813</u>	<u>231,135</u>

During the year ended September 30, 2010, approximately 19% and 22% (20% and 18% each during fiscal year 2009) of revenues from grants and contracts were received from the U.S. Department of State (Bureau of Population, Refugees, and Migration) and the U.S. Agency for International Development, including the Office of Foreign Disaster Assistance, respectively. The operation of IRC's programs at present levels is dependent upon continued funding from these organizations and from United Nations and European agencies.

Financial instruments that potentially subject IRC to concentrations of credit risk consist principally of cash and cash equivalents and grants and contracts receivable. Cash and cash equivalents include program advances and, as of September 30, 2010 and 2009, approximately 65% and 50%, respectively, is deposited in banks in foreign locations. At September 30, 2010 and 2009, approximately 25% and 40%, respectively, of grants and contracts receivable are due from the European Union agencies, including Europeaid, the European Commission Humanitarian Aid Office, and the United Kingdom's Department for International Development, through IRC's foreign affiliates.

(8) Grants and Contracts Receivable and Program Advances

Grants and contracts receivable were from the following as of September 30, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Federal and local government agencies	\$ 7,418	6,099
United Nations agencies	4,176	3,409
European agencies and other	11,694	13,031
	<u>\$ 23,288</u>	<u>22,539</u>

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Program advances were received from the following as of September 30, 2010 and 2009:

	2010	2009
Federal and local government agencies	\$ 353	405
United Nations agencies	4,848	4,695
European agencies and other	19,680	21,874
	\$ 24,881	26,974

In accordance with the terms of certain government contracts, the records of IRC are subject to audit for varying periods after the date of final payment of the contracts. IRC is liable for any disallowed costs. In the opinion of management, adjustments that might result from such audits would not have a significant effect on IRC's financial position or changes in net assets.

(9) Contributions Receivable

Contributions receivable consisted of the following as of September 30, 2010 and 2009:

	2010	2009
Due within one year	\$ 2,046	3,881
Due within two to five years	3,325	7,105
	5,371	10,986
Less discount	(118)	(355)
Less allowance for uncollectible contributions	—	(25)
Contributions receivable, net	\$ 5,253	10,606
	2010	2009
Freedom Fund contributions receivable	\$ 3,154	5,514
Temporarily restricted contributions receivable	2,099	5,092
Contributions receivable, net	\$ 5,253	10,606

At September 30, 2010 and 2009, gross contributions receivable includes \$1,977 and \$4,600 from one donor.

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(10) Split-Interest Agreements

Split-interest agreement assets, liabilities, and net assets are categorized on the balance sheets as of September 30, 2010 and 2009 as follows:

	2010	2009
Split-interest agreements – contributions receivable	\$ 407	395
Investments	9,689	9,540
Total assets	\$ 10,096	9,935
Annuity liabilities related to split-interest agreements	\$ 5,975	6,093
Unrestricted net assets – split-interest agreements	3,503	3,247
Temporarily restricted net assets – split-interest agreements	618	595
Total liabilities and net assets	\$ 10,096	9,935

(11) Temporarily Restricted Net Assets

Temporarily restricted net assets as of September 30, 2010 and 2009 are available subject to time and purpose restrictions as follows:

	2010	2009
Time restrictions:		
Split-interest agreements	\$ 618	595
General purpose	366	148
Purpose restrictions:		
Balkans, Caucasus, and other programs	3,689	106
Middle East programs	233	620
Asian programs	3,567	2,312
African programs	6,353	14,283
Total international relief and assistance programs	13,842	17,321
U.S. programs	3,497	2,633
Emergency preparedness, technical units, and other	6,439	4,079
Women’s Refugee Commission	2,502	2,364
Supporting services	458	797
	\$ 27,722	27,937

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Program restrictions for the years ended September 30, 2010 and 2009 were satisfied by incurring expenses for the restricted purposes specified by the donors as follows:

	2010	2009
Balkans, Caucasus, and other programs	\$ 2,704	62
Middle East programs	510	2,436
Asian programs	1,646	2,950
African programs	7,659	7,415
Total international relief and assistance programs	12,519	12,863
U.S. programs	2,478	3,650
Emergency preparedness, technical units, and other programs	1,797	2,293
Women's Refugee Commission	2,067	2,340
Supporting services	3,472	3,495
	\$ 22,333	24,641

During 2010 and 2009, total revenue for the Women's Refugee Commission was \$4,539 and \$5,342, respectively. This is reported as operating revenue, primarily as unrestricted contributions and grant and contract revenue.

(12) Permanently Restricted Net Assets

The income earned on permanently restricted net assets as of September 30, 2010 and 2009 is available for the following purposes:

	2010	2009
Reproductive health	\$ 10,870	10,795
Emergency response	7,414	7,404
U.S. programs	1,178	1,164
Children's programs	294	294
President's office	200	100
International programs	99	—
General purposes	28,228	26,389
	\$ 48,283	46,146

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(13) Freedom Fund

IRC's Freedom Fund comprises the board-designated endowment, donor endowment, and emergency funds assets and net assets. As of September 30, 2010 and 2009, the Freedom Fund is categorized on the balance sheets as follows:

	2010	2009
Assets:		
Cash and cash equivalents	\$ 3,182	—
Inventory – emergency response materials	—	56
Contributions receivable	3,154	5,514
Investments	80,177	72,758
Total	\$ 86,513	78,328
Net assets:		
Unrestricted board-designated endowment	\$ 37,998	32,169
Temporarily restricted – reinvested return	232	13
Permanently restricted	48,283	46,146
Total	\$ 86,513	78,328

Freedom Fund contribution revenue consisted of the following:

	2010	2009
Cash contributions	\$ 6,398	797
Pledges and bequests receivable, net of write-off	(193)	970
Total	\$ 6,205	1,767

The IRC endowment consists of 20 individual funds established for a variety of purposes, including both donor-restricted endowment funds and funds designated by the IRC to function as endowments (board-designated). At September 30, 2010, the fair values of 12 donor restricted endowment funds were less than their original fair value (underwater) by a total of approximately \$2,449.

In 2010, New York adopted the New York Prudent Management of Institutional Funds Act (NYPMIFA). As a result of the NYPMIFA, the IRC classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. ASC 958-205, *Not-for-Profit Entities*, requires the portion of a donor-restricted endowment fund that is not classified as permanently restricted net assets to be classified as temporarily restricted net assets until appropriated for expenditure. The impact of the standard is \$217 reclassification from unrestricted to restricted net assets.

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Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Endowment net assets, which exclude contributions receivable, consist of the following at September 30, 2010 and 2009:

	2010			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted	\$ (2,232)	15	45,058	42,841
Impact of NYPMIFA adoption	(217)	217	—	—
Quasi (board-designated)	40,447	—	—	40,447
Total	<u>\$ 37,998</u>	<u>232</u>	<u>45,058</u>	<u>83,288</u>

	2009			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted	\$ (3,374)	13	40,494	37,133
Quasi (board-designated)	35,543	—	—	35,543
Total	<u>\$ 32,169</u>	<u>13</u>	<u>40,494</u>	<u>72,676</u>

Changes in endowments for the fiscal years ended September 30, 2010 and 2009 were as follows:

	2010			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Net assets, September 30, 2009	\$ 32,169	13	40,494	72,676
Net appreciation (realized and unrealized)	5,903	9	3	5,915
Contributions	4,285	—	4,486	8,771
Distributions	(4,142)	(7)	—	(4,149)
Net asset reclassification for adoption of ASC 958-205	(217)	217	—	—
Reclassifications of restrictions	—	—	75	75
Net assets, September 30, 2010	<u>\$ 37,998</u>	<u>232</u>	<u>45,058</u>	<u>83,288</u>

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	2009			Total
	Unrestricted	Temporarily restricted	Permanently restricted	
Net assets, September 30, 2008	\$ 37,240	(1,759)	35,808	71,289
Net appreciation (realized and unrealized)	263	439	8	710
Contributions	442	—	4,678	5,120
Distributions	(3,656)	(787)	—	(4,443)
Reclassifications of restrictions	(2,120)	2,120	—	—
Net assets, September 30, 2009	\$ 32,169	13	40,494	72,676

(14) Foreign Affiliates

IRC is currently affiliated with two separately incorporated organizations, International Rescue Committee, U.K. and International Rescue Committee, Belgium. Revenue provided by these affiliates, primarily from the European Commission Humanitarian Aid Office and Department for International Development, was \$59,202 and \$54,690 for fiscal years 2010 and 2009, respectively, and is included in grants and contracts and contributions in the statement of activities. Net receivables (payables) due from the International Rescue Committee, U.K., consisting primarily of grants and contracts receivables, were \$1,591 and \$(427) as of September 30, 2010 and 2009, respectively.

(15) Line of Credit

IRC has a \$6,000 unsecured line of credit from a financial institution bearing interest at a rate of LIBOR plus 150 basis points per annum. There were no amounts outstanding under such line during the year or at September 30, 2010 and 2009. IRC has a separately issued letter of credit from the same financial institution whereby \$2,696 is utilized for a European Union grant that requires a standby letter of credit to be obtained for the period of the grant.

(16) Contingencies

IRC is contingently liable under certain claims and lawsuits, many of which are covered in whole or in part by insurance. In management's opinion, none of these claims and lawsuits will have a material adverse effect on the financial position or changes in net assets of IRC.

(17) Subsequent Events

In connection with the preparation of the financial statements, the IRC evaluated subsequent events from September 30, 2010 through February 7, 2011, which was the date the financial statements were approved for issuance, and concluded that no additional disclosures are required.